

## Message Text

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ORIGIN NEA-09

INFO OCT-01 EUR-12 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 FEA-01 PA-01 PRS-01

USIA-06 AF-06 IO-10 /116 R

DRAFTED BY NEA/AFN:JVMONTVILLE:CFE

APPROVED BY NEA/AFN:MWWILEY

EB/IFD/OIA:TBRODERICK (INFO)

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R 130133Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY RABAT

INFO AMCONSUL CASABLANCA

AMEMBASSY LONDON

C O N F I D E N T I A L STATE 032828

E.O. 11652: GDS

TAGS: EINV, ENRG, EIND, MO, US

SUBJECT: MOROCCANIZATION OF OIL DISTRIBUTION: ESSO CASE

1. ALPHEUS JESSUP, HEAD EXXON'S WASHINGTON OFFICE, CALLED ON DEPTOFF (NEA/AFN) FEBRUARY 11 TO REPORT ON CONVERSATIONS HE HAD LAST WEEK IN NEW YORK WITH PRESIDENT OF ESSO AFRICA, SAMUEL J. VASTOLA. JESSUP SAID GOM AND ESSO IN BASIC AGREEMENT IN PRINCIPLE. MAJOR OUTSTANDING ISSUE IS GOM REPAYMENT OF DISINVESTMENT PROCEEDS TO ESSO. ESSO HAS AGREED TO REPAYMENT SCHEDULE LASTING FIVE, SIX OR IF NECESSARY SEVEN YEARS. THERE IS NO AGREEMENT, HOWEVER, ON INTEREST RATES TO BE PAID ON BALANCES OUTSTANDING.

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2. GOM HAS OFFERED ESSO FIVE-AND-ONE-HALF PERCENT, JESSUP SAID. ESSO IS INSISTING ON COMMERCIAL RATE OF INTEREST, HAVING ACCEPTED PRINCIPLE OF LONG REPAYMENT PERIOD. JESSUP SAID ESSO HAS PROPOSED SCHEME WHEREBY GOM WOULD AGREE TO PAY ESSO 11 PERCENT COMMERCIAL INTEREST RATE BUT WHICH, AFTER GOM TAXES DEDUCTED, WOULD AMOUNT TO A REPATRIATION OF ONLY FIVE-AND-ONE-HALF PERCENT INTEREST WHICH, OF COURSE, IS FIGURE OF GOM OFFER. JESSUP EMPHASIZED THAT ESSO INSISTS ON COMMERCIAL INTEREST RATE

AS MATTER OF PRINCIPLE. COMPANY'S DIRECTORS IN NEW YORK ARE DETERMINED NOT TO UNDERMINE ESSO CASE IF AND WHEN BRITISH GOVERNMENT MOVES TO "ANGLICIZE" NORTH SEA HOLDINGS OF INTERNATIONAL OIL COMPANIES.

3. ON MANAGEMENT QUESTION, JESSUP SAID GOM HAS AGREED TO EXCLUDE MOROCCAN GENERAL MANAGER FROM VOTING ON BASIC QUESTIONS OF BUDGET, LONG-TERM INVESTMENT, AND ANTI-TRUST POLICY. THIS POSITION EASES SOMEWHAT ESSO'S CONCERN ABOUT LOSING MANAGEMENT CONTROL OVER THESE BASIC QUESTIONS, BUT JESSUP SAID COMPANY STILL HAS DOUBTS OVER FUTURE RELATIONS WITH MOROCCAN BOARD MEMBERS AND GENERAL MANAGER. SPECIFICALLY, PROBLEM STEMS FROM GOM'S NOMINATION OF FORMER ESSO EMPLOYEE DISCHARGED BY THE COMPANY FOR CAUSE FOR POST OF GENERAL MANAGER.

4. AS MATTERS STAND NOW, JESSUP SAID, ESSO HAS PROPOSED TRANSITION TO MOROCCANIZATION MANAGEMENT SCHEME, INCLUDING MOROCCAN GENERAL MANAGER, OVER THREE TO FOUR YEAR PERIOD. GOM HAS PROPOSED 18 MONTH TRANSITION PERIOD. JESSUP SAID THAT IF ESSO DID NOT FEEL IT COULD MAINTAIN ESSENTIAL DAY-TO-DAY CONTROL OVER ITS MOROCCAN OPERATIONS UNDER MOROCCAN SCHEME, IT WOULD HAVE NO CHOICE BUT TO WITHDRAW ITS TRADEMARK.

5. PRESENT MANAGER OF ESSO-MAROC, SKANE, DUE BACK IN RABAT FROM LONDON FEBRUARY 12. JESSUP SAID SKANE WILL SEEK APPOINTMENT TO CONTINUE NEGOTIATIONS NEXT WEEK. AS FORM OF CONTINGENCY PLANNING, JESSUP SAID, ESSO IS PREPARING LEGAL CASE AGAINST GOM IF PRESENT NEGOTIATIONS CONFIDENTIAL

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DO NOT RESULT IN AGREEMENT. FIRST STEP WOULD BE TO EXHAUST EXISTING LEGAL REMEDIES IN MOROCCO. IN PURSUING ITS CASE, ESSO LAWYERS WOULD FOCUS ON METHOD GOM CHOSE TO REQUISITION ESSO-MAROC AFTER EXPIRATION DECEMBER 31, 1974 MOROCCANIZATION DEADLINE.

6. JESSUP ASKED THAT FOREGOING INFO BE PASSED TO EMBASSY FOR ITS BACKGROUND AND ASKED IF DEPARTMENT OR AMBASSADOR

PLANNED TO TAKE ANY INITIATIVE IN MOROCCANIZATION QUESTION.  
DEPTOFF SAID THERE NO PLANS AT PRESENT FOR USG INITIATIVE  
AND THAT PROPER COURSE WOULD SEEM TO BE TO AWAIT OUTCOME  
OF NEGOTIATIONS BETWEEN ESSO AND GOM. DEPTOFF POINTED  
OUT AMBASSADOR NEUMANN HAD WORKED DILIGENTLY TO ESTABLISH  
CONSTRUCTIVE AND POSITIVE ATMOSPHERE FOR NEGOTIATIONS  
BETWEEN GOM AND AMERICAN FIRMS. SITUATION WAS NOW SOMEWHAT  
DIFFERENT SINCE TWO OTHER AMERICAN COMPANIES, MOBIL AND  
TEXACO, HAD ACCEPTED MOROCCANIZATION TERMS BY DECEMBER 31  
DEADLINE AND ESSO HAD NOT. DEPTOFF ASSURED JESSUP,

HOWEVER, THAT AMBASSADOR NEUMANN WOULD CONTINUE INFORMAL  
DISCUSSIONS OF MOROCCANIZATION ISSUE WITH GOM OFFICIALS  
WITH VIEW TOWARD PROMOTING POSITIVE, BROAD-MINDED APPROACH  
TO RESOLVING PROBLEMS. INGERSOLL

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, PETROLEUM INDUSTRY  
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**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Disposition Remarks:**  
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**Executive Order:** GS  
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**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 JUN 2003 by BoyleJA>; APPROVED <12 NOV 2003 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MOROCCANIZATION OF OIL DISTRIBUTION: ESSO CASE  
**TAGS:** EINV, ENRG, EIND, MO, US, ESSO  
**To:** RABAT  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006